EXHIBIT F

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT
PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported) **July 10, 2019**

BED BATH & BEYOND INC.
(Exact name of registrant as specified in its charter)

New York	0-20214	11-2250488
(State or other jurisdiction of incorporation)	(Commission File Number)	(I.R.S. Employer Identification No.)

650 Liberty Avenue, Union, New Jersey 07083
(Address of principal executive offices) (Zip Code)

(908) 688-0888
(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4 (c))

Securities registered pursuant to section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Common stock, $.01 par value	BBBY	The Nasdaq Stock Market LLC (Nasdaq Global Select Market)

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.
☐

Item 2.02 Results of Operations and Financial Condition

On July 10, 2019, Bed Bath & Beyond Inc. (the "Company") issued a press release announcing the Company's financial results for its fiscal first quarter ended June 1, 2019. A copy of this press release is attached hereto as Exhibit 99.1 and is incorporated herein by reference.

Item 7.01 Regulation FD Disclosure

On July 10, 2019, the Company published an Investor Presentation for its fiscal first quarter ended June 1, 2019 as noted in the press release described in Item 2.02 above. The Investor Presentation is attached hereto as Exhibit 99.2 and is incorporated herein by reference. Additionally, the Company has posted the Investor Presentation on the investor relations section of its website at www.bedbathandbeyond.com.

The Company's July 10, 2019 press release further announced that its Board of Directors declared a quarterly dividend on July 8, 2019 of $0.17 per share, to be paid on October 15, 2019 to shareholders of record at the close of business on September 13, 2019.

The information in this Current Report on Form 8-K (including the exhibits attached hereto) is being furnished under Items 2.02 and 7.01 and shall not be deemed "filed" for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or otherwise subject to the liability of such section or incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such a filing.

Item 9.01 Financial Statements and Exhibits

(d) Exhibits:

Exhibit No.	**Description**
99.1	Press Release issued by Bed Bath & Beyond Inc. on July 10, 2019.
99.2	Investor Presentation for the fiscal first quarter ended June 1, 2019.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

BED BATH & BEYOND INC.
(Registrant)

Date: July 10, 2019

By: */s/ Robyn M. D'Elia*
Robyn M. D'Elia
Chief Financial Officer and Treasurer
(Principal Financial and Accounting Officer)

Exhibit 99.1

FOR IMMEDIATE RELEASE

BED BATH & BEYOND INC. REPORTS RESULTS FOR FISCAL 2019 FIRST QUARTER

Reported First Quarter Net Loss Per Diluted Share of ($2.91); Adjusted Net Earnings Per Diluted Share of $0.12, At the High-End of Guidance Range
Revenue Slightly Below Guidance Range
Establishes Key Near-Term Priorities to Accelerate Transformation

UNION, New Jersey, July 10, 2019 --- Bed Bath & Beyond Inc. (Nasdaq: BBBY) today reported financial results for the first quarter of fiscal 2019 ended June 1, 2019.

Mary A. Winston, Interim CEO, stated, "Bed Bath & Beyond is an iconic brand with tremendous opportunity and we recognize that there needs to be a fundamental change in our approach to executing the Company's business transformation. We have set four key near-term priorities that include stabilizing and driving top-line growth; resetting the cost structure; reviewing and optimizing the Company's asset base, including our portfolio of retail banners; and refining our organization structure. The Board and management team are aligned on these priorities, and we are committed to completing a deep review of the business to prioritize and drive forward the most meaningful initiatives to improve performance. As we execute against these near-term priorities, our focus will remain on delighting our customers and delivering long-term value for our shareholders."

Fiscal 2019 First Quarter Results

For the fiscal 2019 first quarter, the Company reported a net loss of ($2.91) per diluted share (($371.1) million), which included an unfavorable impact of approximately $3.03 per diluted share related to a non-cash impairment of goodwill and other intangible assets, as well as severance and shareholder activity costs incurred during the quarter, compared with net earnings of $.32 per diluted share ($43.6 million) for the fiscal 2018 first quarter, which included an unfavorable impact of approximately $.06 from severance costs. Excluding the goodwill and other impairments, severance and shareholder activity costs, the Company reported adjusted net earnings of $.12 per diluted share ($15.5 million) for the fiscal 2019 first quarter. Net sales for the fiscal 2019 first quarter were approximately $2.6 billion, a decrease of approximately 6.6% compared to the prior year period. Comparable sales in the fiscal 2019 first quarter declined approximately 6.6%.

Capital Allocation

On July 8, 2019, the Company's Board of Directors declared a quarterly dividend of $0.17 per share payable on October 15, 2019 to shareholders of record at the close of business on September 13, 2019.

During the fiscal 2019 first quarter, the Company repurchased approximately $81.5 million of its common stock, representing approximately 5.3 million shares.

The Company ended the fiscal 2019 first quarter with approximately $923 million in cash and investments, an increase of approximately 9.0%, compared with approximately $847 million in cash and investments at the end of the fiscal 2018 first quarter.

Fiscal 2019 Financial Outlook

For the fiscal 2019 full year, excluding the goodwill and other impairments, severance and shareholder activity costs, the Company is modeling to be at the lower end of its previously provided ranges of $11.4 billion to $11.7 billion for net sales and $2.11 to $2.20 for net earnings per diluted share.

Due to the inherent difficulty of forecasting the timing or amount of items that have not yet occurred and are out of the Company's control, and that would impact its net sales, diluted net earnings per share, and the most directly comparable forward-looking GAAP financial measures, the Company has not provided a reconciliation to these measures for its fiscal 2019 full year outlook on a GAAP basis. For the same reasons, the Company is unable to address the probable significance of the unavailable information. Forward-looking non-GAAP financial measures provided without the most directly comparable GAAP financial measures may vary materially from the corresponding GAAP financial measures.

Adoption of Lease Accounting Standard

The Company adopted ASU 2016-02, *Leases (Topic 842)*, related to its accounting for leases at the beginning of the fiscal 2019 first quarter. The adoption of this standard resulted in the recording on the consolidated balance sheet of approximately $2.0 billion of operating lease assets and approximately $2.2 billion of operating lease liabilities, with no significant change to the consolidated statements of operations or cash flows. The standard has no impact on the Company's debt covenant compliance under its Indenture or Revolving Credit Agreement.

Fiscal 2019 First Quarter Conference Call and Investor Presentation

Bed Bath & Beyond Inc.'s fiscal 2019 first quarter conference call with analysts and investors will be held today at 5:00pm EDT and may be accessed by dialing 1-888-771-4371, or if international, 1-847-585-4405, using conference ID number 48713230. The replay of the call will be available beginning today at 8:00pm EDT through 8:00pm EDT on Friday, July 12, 2019, and can be accessed by dialing 1-888-843-7419, using conference ID number 48713230. The call and replay can also be accessed via audio webcast on the investor relations section of the Company's website at www.bedbathandbeyond.com.

The Company has also made available an Investor Presentation on the investor relations section of the Company's website at www.bedbathandbeyond.com.

About the Company

Bed Bath & Beyond Inc. and subsidiaries (the "Company") is an omnichannel retailer that is the trusted expert for the home and heart-felt life events. The Company sells a wide assortment of domestics merchandise and home furnishings. The Company also provides a variety of textile products, amenities and other goods to institutional customers in the hospitality, cruise line, healthcare and other industries. Additionally, the Company is a partner in a joint venture which operates retail stores in Mexico under the name Bed Bath & Beyond.

The Company operates websites at bedbathandbeyond.com, bedbathandbeyond.ca, worldmarket.com, buybuybaby.com, buybuybaby.ca, christmastreeshops.com, andthat.com, harmondiscount.com, facevalues.com, ofakind.com, onekingslane.com, personalizationmall.com, decorist.com, harborlinen.com, and t-ygroup.com. As of June 1, 2019, the Company had a total of 1,536 stores, including 995 Bed Bath & Beyond stores in all 50 states, the District of Columbia, Puerto Rico and Canada, 277 stores under the names of World Market, Cost Plus World Market or Cost Plus, 126 buybuy BABY stores, 81 stores under the names Christmas Tree Shops, Christmas Tree Shops andThat! or andThat!, 55 stores under the names Harmon, Harmon Face Values or Face Values, and two retail stores under the name One Kings Lane. During the fiscal first quarter, the Company opened three stores including one Bed Bath & Beyond store and two buybuy Baby stores. The joint venture, to which the Company is a partner, operates ten stores in Mexico under the name Bed Bath & Beyond.

Non-GAAP Information

This press release contains certain non-GAAP information, such as adjusted net earnings per diluted share, which is intended to provide visibility into the Company's core operations by excluding the effects of the goodwill and other impairments, severance and shareholder activity costs. The Company's definition and calculation of non-GAAP

measures may differ from that of other companies. Non-GAAP financial measures should be viewed in addition to, and not as an alternative for, the Company's reported GAAP financial results.

Forward-Looking Statements

This press release contains forward-looking statements, including, but not limited to, anticipated net earnings per diluted share, and operating margin. Many of these forward-looking statements can be identified by use of words such as may, will, expect, anticipate, approximate, estimate, assume, continue, model, project, plan, goal, and similar words and phrases. The Company's actual results and future financial condition may differ materially from those expressed in any such forward-looking statements as a result of many factors. Such factors include, without limitation: general economic conditions including the housing market, a challenging overall macroeconomic environment and related changes in the retailing environment; consumer preferences, spending habits and adoption of new technologies; demographics and other macroeconomic factors that may impact the level of spending for the types of merchandise sold by the Company; civil disturbances and terrorist acts; unusual weather patterns and natural disasters; competition from existing and potential competitors across all channels; pricing pressures; liquidity; the ability to achieve anticipated cost savings, and to not exceed anticipated costs, associated with organizational changes and investments; the ability to attract and retain qualified employees in all areas of the organization, including a permanent Chief Executive Officer; the cost of labor, merchandise and other costs and expenses; potential supply chain disruption due to trade restrictions, political instability, labor disturbances, product recalls, financial or operational instability of suppliers or carriers, and other items; the ability to find suitable locations at acceptable occupancy costs and other terms to support the Company's plans for new stores; the ability to establish and profitably maintain the appropriate mix of digital and physical presence in the markets it serves; the ability to assess and implement technologies in support of the Company's development of its omnichannel capabilities; uncertainty in financial markets; volatility in the price of the Company's common stock and its effect, and the effect of other factors, on the Company's capital allocation strategy; the impact of goodwill and intangible asset impairments; disruptions to the Company's information technology systems including but not limited to security breaches of systems protecting consumer and employee information or other types of cybercrimes or cybersecurity attacks; reputational risk arising from challenges to the Company's or a third party product or service supplier's compliance with various laws, regulations or standards, including those related to labor, health, safety, privacy or the environment; reputational risk arising from third-party merchandise or service vendor performance in direct home delivery or assembly of product for customers; changes to statutory, regulatory and legal requirements, including without limitation proposed changes affecting international trade; changes to, or new, tax laws or interpretation of existing tax laws; new, or developments in existing, litigation, claims or assessments; changes to, or new, accounting standards; foreign currency exchange rate fluctuations; and the integration of acquired businesses. The Company does not undertake any obligation to update its forward-looking statements.

INVESTOR CONTACT:

Janet M. Barth, (908) 613-5820 or IR@bedbath.com

MEDIA CONTACT:

Matthew Sherman / Nick Lamplough / Leigh Parrish / Adam Pollack / Arielle Rothstein - Joele Frank, Wilkinson, Brimmer Katcher, (212) 355-4449

BED BATH & BEYOND INC. AND SUBSIDIARIES

Consolidated Statements of Operations
(in thousands, except per share data)
(unaudited)

	Three Months Ended	
	June 1, 2019	June 2, 2018
Net sales	$ 2,572,989	$ 2,753,667
Cost of sales	1,685,810	1,788,819
Gross profit	887,179	964,848
Selling, general and administrative expenses	892,754	883,619
Goodwill and other impairments	401,267	—
Operating (loss) profit	(406,842)	81,229
Interest expense, net	15,898	16,732
(Loss) earnings before provision for income taxes	(422,740)	64,497
(Benefit) provision for income taxes	(51,655)	20,921
Net (loss) earnings	$ (371,085)	$ 43,576
Net (loss) earnings per share - Basic	$ (2.91)	$ 0.32
Net (loss) earnings per share - Diluted	$ (2.91)	$ 0.32
Weighted average shares outstanding - Basic	127,614	135,987
Weighted average shares outstanding - Diluted	127,614	136,601
Dividends declared per share	$ 0.17	$ 0.16

BED BATH & BEYOND INC. AND SUBSIDIARIES

Consolidated Balance Sheets
(in thousands, except per share data)
(unaudited)

	June 1, 2019	June 2, 2018
Assets		
Current assets:		
Cash and cash equivalents	$ 700,389	$ 678,646
Short term investment securities	201,664	148,313
Merchandise inventories	2,540,852	2,646,263
Prepaid expenses and other current assets	254,187	483,159
Total current assets	3,697,092	3,956,381
Long term investment securities	20,677	19,957
Property and equipment, net	1,822,679	1,893,230
Operating lease assets	1,990,963	—
Goodwill	—	716,283
Other assets	456,784	427,895
	$ 7,988,195	$ 7,013,746
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	$ 1,066,282	$ 1,082,943
Accrued expenses and other current liabilities	590,087	716,069
Merchandise credit and gift card liabilities	343,087	329,055
Current operating lease liabilities	410,417	—
Current income taxes payable	21,209	—
Total current liabilities	2,431,082	2,128,067
Other liabilities	184,242	431,799
Income taxes payable	47,745	57,507
Operating lease liabilities	1,775,081	—
Long term debt	1,488,051	1,492,194
Total liabilities	5,926,201	4,109,567
Shareholders' equity:		
Preferred stock - $0.01 par value; authorized - 1,000 shares; no shares issued or outstanding	—	—
Common stock - $0.01 par value; authorized - 900,000 shares; issued 343,419 and 342,642 shares, respectively; outstanding 127,774 and 140,131 shares, respectively	3,434	3,426
Additional paid-in capital	2,138,362	2,082,238
Retained earnings	10,679,515	11,360,572

Treasury stock, at cost; 215,645 and 202,511 shares, respectively	(10,697,540)	(10,490,082)
Accumulated other comprehensive loss	(61,777)	(51,975)
Total shareholders' equity	2,061,994	2,904,179
	$ 7,988,195	$ 7,013,746

BED BATH & BEYOND INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows
(in thousands, unaudited)

	Three Months Ended	
	June 1, 2019	**June 2, 2018**
Cash Flows from Operating Activities:		
Net (loss) earnings	$ (371,085)	$ 43,576
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	83,542	79,578
Goodwill and other impairments	401,267	—
Stock-based compensation	19,348	23,572
Deferred income taxes	(54,514)	(3,548)
Other	(2,301)	(1,109)
Decrease (increase) in assets:		
Merchandise inventories	76,455	82,252
Trading investment securities	21	(2,069)
Other current assets	137	104,954
Other assets	88	(482)
(Decrease) increase in liabilities:		
Accounts payable	(10,996)	(78,717)
Accrued expenses and other current liabilities	(30,580)	(5,401)
Merchandise credit and gift card liabilities	3,896	5,553
Income taxes payable	(880)	(3,767)
Operating lease assets and liabilities, net	(23,922)	—
Other liabilities	(389)	602
Net cash provided by operating activities	90,087	244,994
Cash Flows from Investing Activities:		
Purchase of held-to-maturity investment securities	(57,000)	(5,625)
Redemption of held-to-maturity investment securities	343,000	238,125
Capital expenditures	(68,375)	(97,813)
Net cash provided by investing activities	217,625	134,687
Cash Flows from Financing Activities:		
Payment of dividends	(21,894)	(21,414)
Repurchase of common stock, including fees	(81,495)	(22,110)
Net cash used in financing activities	(103,389)	(43,524)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(2,095)	(3,651)
Net increase in cash, cash equivalents and restricted cash	202,228	332,506
Cash, cash equivalents and restricted cash:		
Beginning of period	529,971	367,140
End of period	$ 732,199	$ 699,646

The Fiscal Year 2018 consolidated statement of cash flows was revised to include restricted cash due to the adoption of Accounting Standards Update 2016-18 *Statement of Cash Flows (Topic 230)* in Fiscal Year 2018.

Non-GAAP Financial Measures

The following table reconciles non-GAAP financial measures presented in this press release. The Company believes that these non-GAAP financial measures provide meaningful supplemental information regarding the performance of the Company's business. These non-GAAP financial measures should not be considered superior to, but in addition to other financial measures prepared in accordance with GAAP, including the year-to-year results. The Company's method of determining these non-GAAP financial measures may be different from other companies' methods and, therefore, may not be comparable to those used by other companies and the Company does not recommend the sole use of this non-GAAP measure to assess its financial and earnings performance.

Non-GAAP Reconciliation
(in thousands, except per share data)
(unaudited)

	Three Months Ended	
	June 1, 2019	**June 2, 2018**
Reconciliation of Adjusted Net Earnings		
Reported net (loss) earnings	$ (371,085)	$ 43,576
Pre-tax Adjustments:		
Goodwill and other impairments (a)	401,267	—
Severance costs	38,662	9,333
Shareholder activity costs	8,000	—
Total pre-tax adjustments	447,929	9,333
Tax impact of adjustments	(61,387)	(1,618)
Total adjustments, after tax	386,542	7,715
Adjusted net income	$ 15,457	$ 51,291
Reconciliation of Adjusted Earnings per Diluted Share		
Reported net (loss) earnings per diluted share	$ (2.91)	$ 0.32
Goodwill and other impairments, severance and shareholder activity costs	3.03	0.06
Adjusted earnings per diluted share	$ 0.12	$ 0.38

(a) Goodwill and other impairments include: (1) goodwill and tradename impairments related to the North American Retail reporting unit; and (2) tradename impairments related to the Institutional Sales reporting unit.

EX-99.2 3 bbbyfy19firstquarterirsl.htm EXHIBIT 99.2

Forward Looking Statements

This presentation contains forward-looking statements, including, but not limited to, anticipated net earnings per diluted share, and operating margin.
statements can be identified by use of words such as may, will, expect, anticipate, approximate, estimate, assume, continue, model, project, plan, goal,
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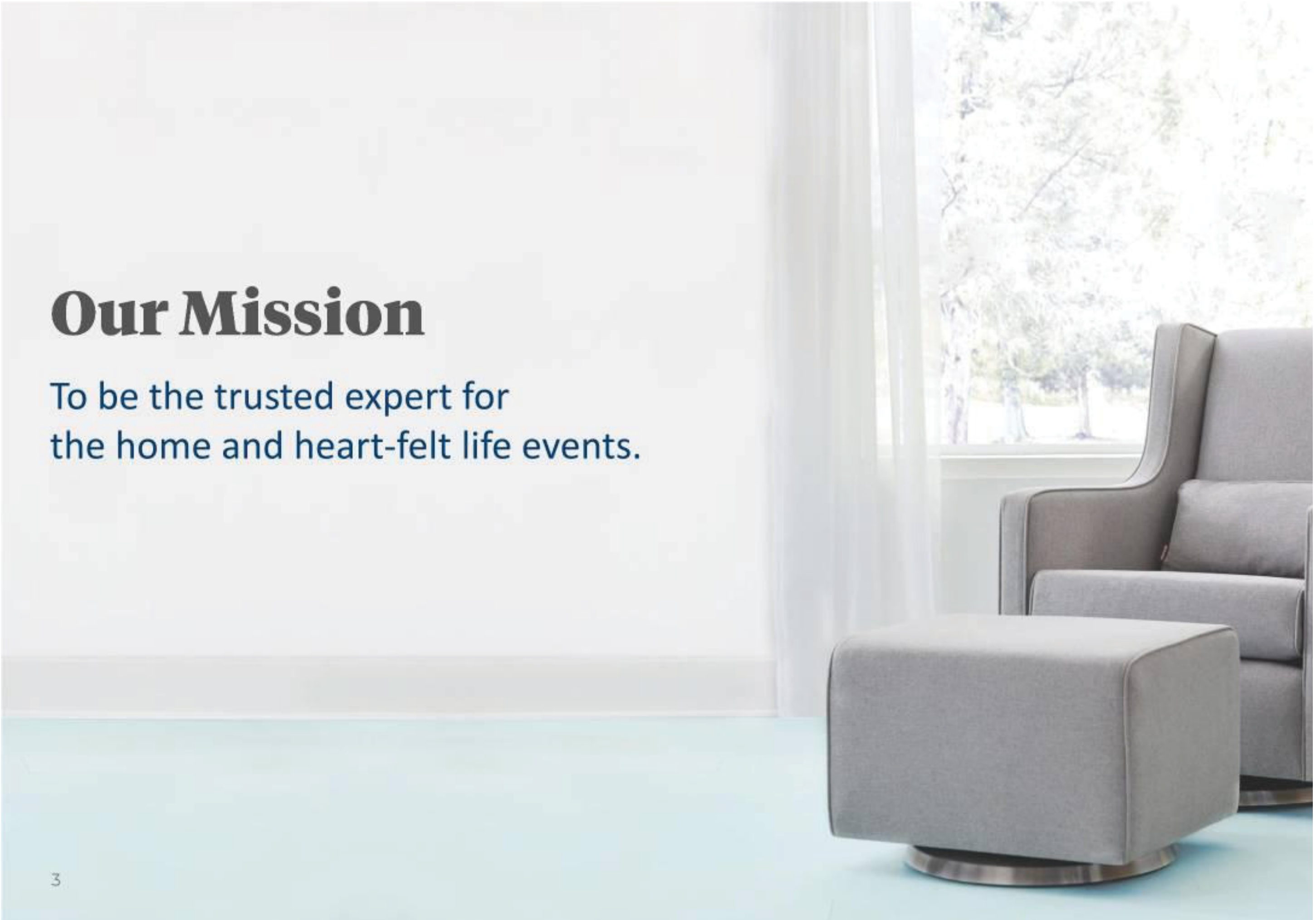
security breaches of systems protecting consumer and employee information or other types of cybercrimes or cybersecurity attacks; reputational risk a
Company's or a third party product or service supplier's compliance with various laws, regulations or standards, including those related to labor, health,
environment; reputational risk arising from third-party merchandise or service vendor performance in direct home delivery or assembly of product for c
regulatory and legal requirements, including without limitation proposed changes affecting international trade; changes to, or new, tax laws or interpret
developments in existing, litigation, claims or assessments; changes to, or new, accounting standards; foreign currency exchange rate fluctuations; the i
The Company does not undertake any obligation to update its forward-looking statements.


Our Mission
To be the trusted expert for
the home and heart-felt life events.
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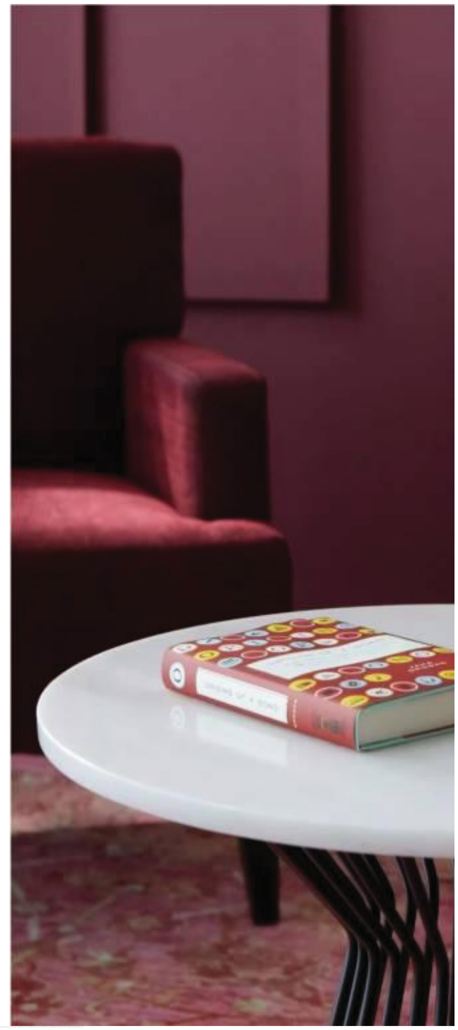
Critical Work of the Board of Directors

- Complete a Deep Review of the Business
  - Prioritize and drive forward the most meaningful initiatives to improve performance
- Formed Business Transformation and Strategy Review Committee
  - Review and evaluate the ongoing business transformation
  - Make recommendations on how to accelerate the Company's evolution
- CEO Search
  - Robust process underway supported by a leading executive search firm
  - Seeking a leader with a multi-faceted skill set



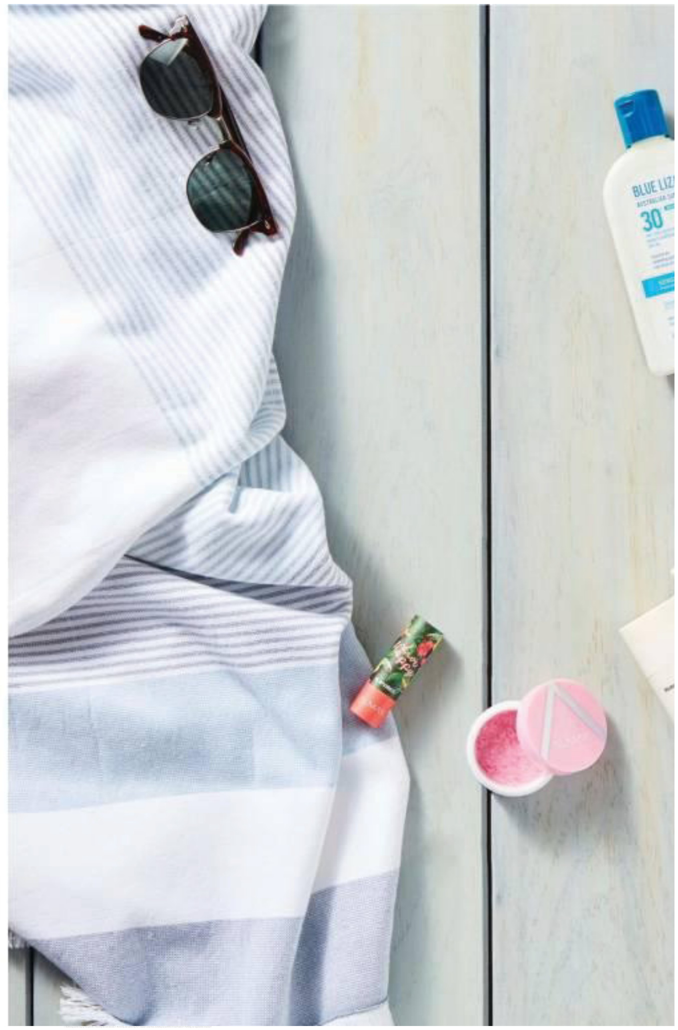
Key Near-Term Priorities

1. Stabilizing and driving top-line growth

2. Resetting the cost structure

3. Reviewing and optimizing the Company's asset base, including our portfolio of retail banners

4. Refining our organization structure



Q1 2019 Financial Results Summary

- Net loss per diluted share of ($2.91), including an unfavorable impact of approximately $3.03 pe share related to a non-cash impairment of goodwill and other intangible assets, as well as sever shareholder activity costs incurred during the quarter

- Adjusted net earnings per diluted share of $0.12, excluding the goodwill and other impairments and shareholder activity costs, at the high-end of our guidance range of between $0.07 and $0.1

- Net sales declined ~6.6%, slightly below our guidance of ~$2.6 billion

- Comp sales declined ~6.6%, including a high-single digit % decline in store comps, partially offse growth in our customer-facing digital channels

- Retail inventories at the end of Q1 2019 were reduced by ~$124 million (~5%) vs Q1 2018

- Cash and investments balance increased ~9% vs Q1 2018 to ~$923 million

Q1 2019 P&L Summary

(amounts in millions, except comp%, % of sales, and per share data)

	Three Months Ended			
	Adjusted (a)		Adjusted (b)	
	June 1, 2019	% of Sales	June 2, 2018	% of Sales
Comp Sales %		(6.6)		(0.6)
Net Sales	$2,573	100.0	$2,754	100.0
Gross Profit	887	34.5	965	35.0
SG&A Expenses	846	32.9	874	31.7
Operating Profit	41	1.6	91	3.3
Net Earnings	15	0.6	51	1.9
EPS - Diluted	$0.12		$0.38	
WAS - Diluted	128		137	

a) Excludes goodwill and other impairments (non-cash), severance and shareholder activity costs.
b) Excludes severance costs.
c) As a percentage of net sales, primarily due to a decrease in merchandise margin, partially offset by decreases in coupon expense and net direct-to-customer shipping expense.
d) As a percentage of net sales, primarily due to increases in technology-related expenses, including depreciation and occupancy expenses.

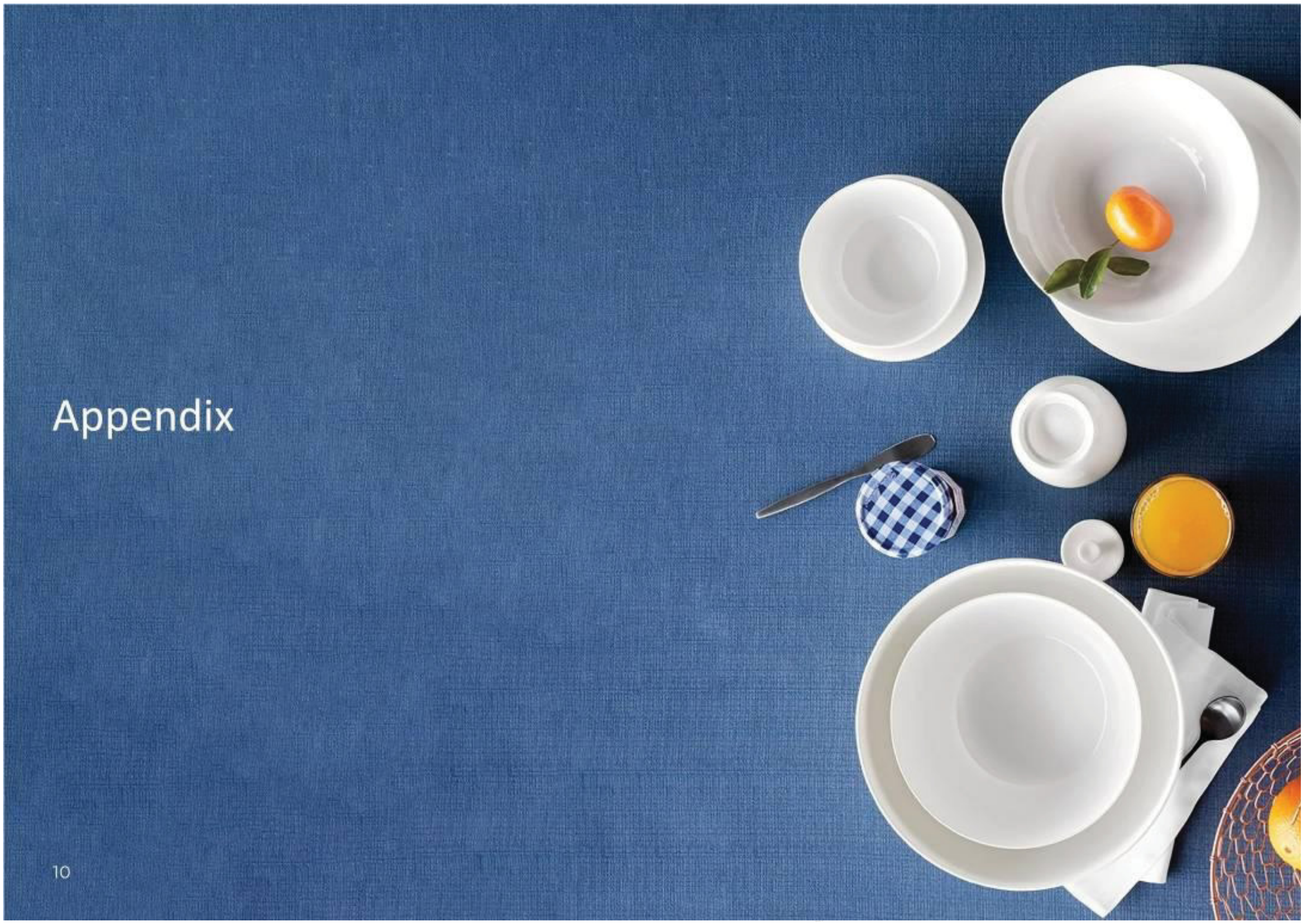
FY 2019 Financial Outlook

	Current 2019 Full Year Guidance* (excludes goodwill and other impairments, severance and shareholder activity costs)
Consolidated Net Sales	$11.4 - $11.7 bn (lower end of range)
Diluted EPS	$2.11 - $2.20 (lower end of range)
Capital Expenditures	$350 - $375 mm*

* The Company will continue to evaluate its capital projects for the year.

Guidance Cons

- Executing on ke
- The work to be
- Continuing chal environment


Appendix
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Non-GAAP Reconciliation

(in thousands, except per share data)
(unaudited)

		Three Months E
		June 1, 2019
Reconciliation of Adjusted Net Earnings		
Reported net (loss) earnings	$	(371,085)
Pre-tax Adjustments:		
Goodwill and other impairments (a)		401,267
Severance costs		38,662
Shareholder activity costs		8,000
Total pre-tax adjustments		447,929
Tax impact of adjustments		(61,387)
Total adjustments, after tax		386,542
Adjusted net income	$	15,457
Reconciliation of Adjusted Net Earnings per Diluted Share		
Reported net (loss) earnings per diluted share	$	(2.91)
Goodwill and other impairments, severance and shareholder activity costs		3.03
Adjusted earnings per diluted share	$	0.12

a) Goodwill and other impairments include: (1) goodwill and tradename impairments related to the North American Retail reporting unit; and (2) tradename impairments related to the Institutional Sales reporting unit.

EXHIBIT G

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT
PURSUANT TO SECTION 13 OR 15 (d)
OF THE SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported) July 22, 2019

BED BATH & BEYOND INC.
(Exact name of registrant as specified in its charter)

New York	**0-20214**	**11-2250488**
(State or other jurisdiction of incorporation)	**(Commission File Number)**	**(I.R.S. Employer Identification No.)**

650 Liberty Avenue, Union, New Jersey 07083
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(908) 688-0888
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Title of each class	Trading Symbol	Name of each exchange on which registered
Common stock, $.01 par value	**BBBY**	**The Nasdaq Stock Market LLC (Nasdaq Global Select Market)**

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Item 2.05 Costs Associated with Exit or Disposal Activities.

On July 23, 2019, Bed Bath & Beyond Inc. (the "Company") announced that in connection with its ongoing transformation and near-term priority to reset the Company's cost structure, it has initiated a reduction in corporate staff at its headquarters in Union, New Jersey and at other select locations where corporate associates are based. These actions are estimated to generate future annual pre-tax cost savings of approximately $30.7 million. Due to the timing of these changes, the pre-tax cost savings for the remainder of fiscal 2019 are estimated to be approximately $18.9 million. The Company expects to incur pre-tax cash restructuring charges of approximately $12.0 million in fiscal 2019, primarily for severance and related costs in conjunction with this staff reduction, all of which will be expensed in the second quarter.

In addition, the Company continues to review its cost structure to identify additional cost savings opportunities.

Item 5.02 Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.

On July 22, 2019, Eugene A. Castagna ceased to serve as President and Chief Operating Officer of the Company. In connection with his separation from the Company, Mr. Castagna will be entitled to those separation payments and benefits as are provided upon a termination of employment without "cause" pursuant to his employment agreement and outstanding option and performance stock unit award agreements. Following his separation, Mr. Castagna will continue to be subject to certain restrictive covenants, including post-termination, non-competition and non-solicitation covenants.

Item 7.01 Regulation FD Disclosure.

On July 23, 2019, the Company reiterated its guidance with respect to fiscal 2019 net earnings per diluted share. A copy of the press release issued by the Company on July 23, 2019 regarding the above is filed as Exhibit 99.1 to this Current Report on Form 8-K and is incorporated by reference into this Item 7.01.

The information in Item 7.01 of this Current Report on Form 8-K is being furnished and shall not be deemed "filed" for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or otherwise subject to the liability of such section or incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such a filing.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits.

Exhibit No.	Description
99.1	Press Release issued by Bed Bath & Beyond Inc. on July 23, 2019

Forward-Looking Statements

This report contains forward-looking statements, including, but not limited to, anticipated net earnings per diluted share and the amount and timing of estimated future annual pre-tax cost savings and pre-tax cash restructuring charges associated with the workforce reduction, as well as the ability to identify additional cost savings opportunities. Many of these forward-looking statements can be identified by use of words such as may, will, expect, anticipate, approximate, estimate, assume, continue, model, project, plan, goal, and similar words and phrases. The Company's actual results and future financial condition may differ materially from those expressed in any such forward-looking statements as a result of many factors. Such factors include, without limitation: general economic conditions including the housing market, a challenging overall macroeconomic environment and related changes in the retailing environment; consumer preferences, spending habits and adoption of new technologies; demographics and other macroeconomic factors that may impact the level of spending for the types of merchandise sold by the Company; civil disturbances and terrorist acts; unusual weather patterns and natural disasters; competition from existing and potential competitors across all channels; pricing pressures; liquidity; the ability to achieve anticipated cost savings, and to not exceed anticipated costs, associated with organizational changes and investments; the ability to attract and retain qualified employees in all areas of the organization, including a permanent Chief Executive Officer; the cost of labor, merchandise and other costs and expenses; potential supply chain disruption due to trade restrictions, political instability, labor disturbances, product recalls, financial or operational instability of suppliers or carriers, and other items; the ability to

find suitable locations at acceptable occupancy costs and other terms to support the Company's plans for new stores; the ability to establish and profitably maintain the appropriate mix of digital and physical presence in the markets it serves; the ability to assess and implement technologies in support of the Company's development of its omnichannel capabilities; uncertainty in financial markets; volatility in the price of the Company's common stock and its effect, and the effect of other factors, on the Company's capital allocation strategy; the impact of goodwill and intangible asset impairments; disruptions to the Company's information technology systems including but not limited to security breaches of systems protecting consumer and employee information or other types of cybercrimes or cybersecurity attacks; reputational risk arising from challenges to the Company's or a third party product or service supplier's compliance with various laws, regulations or standards, including those related to labor, health, safety, privacy or the environment; reputational risk arising from third-party merchandise or service vendor performance in direct home delivery or assembly of product for customers; changes to statutory, regulatory and legal requirements, including without limitation proposed changes affecting international trade; changes to, or new, tax laws or interpretation of existing tax laws; new, or developments in existing, litigation, claims or assessments; changes to, or new, accounting standards; foreign currency exchange rate fluctuations; and the integration of acquired businesses. The Company does not undertake any obligation to update its forward-looking statements.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

BED BATH & BEYOND INC.
(Registrant)

Date: July 23, 2019

By: /s/ Robyn M. D'Elia
Robyn M. D'Elia
Chief Financial Officer and Treasurer
(Principal Financial and Accounting Officer)

EXHIBIT H

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT
PURSUANT TO SECTION 13 OR 15 (d)
OF THE SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported) September 4, 2019

BED BATH & BEYOND INC.
(Exact name of registrant as specified in its charter)

New York	0-20214	11-2250488
(State or other jurisdiction of incorporation)	(Commission File Number)	(I.R.S. Employer Identification No.)

650 Liberty Avenue, Union, New Jersey 07083
(Address of principal executive offices) (Zip Code)

(908) 688-0888
(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4 (c))

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Common stock, $.01 par value	**BBBY**	**The Nasdaq Stock Market LLC (Nasdaq Global Select Market)**

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Item 7.01 Regulation FD Disclosure.

On September 4, 2019, Bed Bath & Beyond Inc. (the “Company”) issued a press release containing a letter to the Company’s shareholders providing an update with respect to the Company’s ongoing business transformation. A copy of the press release is attached as Exhibit 99.1 to this Current Report on Form 8-K and is incorporated by reference into this Item 7.01.

The information in Item 7.01 of this Current Report on Form 8-K is being furnished and shall not be deemed “filed” for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or otherwise subject to the liability of such section or incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such a filing.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits.

Exhibit No.	Description
99.1	Press Release issued by Bed Bath & Beyond Inc. on September 4, 2019

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

BED BATH & BEYOND INC.
(Registrant)

Date: September 4, 2019

By: /s/ Robyn M. D'Elia
Robyn M. D'Elia
Chief Financial Officer and Treasurer
(Principal Financial and Accounting Officer)

Exhibit 99.1

FOR IMMEDIATE RELEASE

Bed Bath & Beyond Provides Strategic Update in Letter to Shareholders

Targeted Investments to Drive Efficiencies and Stabilization
New CEO Expected to be Announced in Coming Weeks

UNION, N.J., Sept. 4, 2019 — Bed Bath & Beyond Inc. (Nasdaq: BBBY) today published a letter to shareholders providing a strategic update on the Company's business transformation efforts. The full text of the letter, which can also be found at http://bedbathandbeyond.gcs-web.com/investor-relations, follows:

Dear Fellow Shareholders,

In recent months, we have initiated significant changes at Bed Bath & Beyond, including at the Board level and across the entire organization. Our objectives are to accelerate improvement in our financial performance, enhance our competitive positioning and ensure we have a best-in-class governance structure. While in its early stages, the transformation underway is advancing, and we wanted to share an update on the progress we are making toward achieving these objectives.

The Board and management team are aligned around four key priorities, which interim CEO Mary Winston communicated during the Company's first quarter 2019 earnings conference call in July. These priorities include stabilizing and driving top-line growth; resetting the cost structure; reviewing and optimizing the Company's asset base, including the portfolio of retail banners; and refining Bed Bath & Beyond's organization structure. We are relentless in our pursuit of short-term opportunities to effect meaningful change, while laying the foundation for transforming our Company for long-term success. Some examples are:

Stabilizing and Driving Top-Line Growth – A rapid refresh of nearly 160 Bed Bath & Beyond stores is underway and is expected to be finished in advance of the 2019 holiday season. We expect this multi-million-dollar investment in physical improvements to be clearly visible to the customer and favorably impact the in-store shopping experience over the short term.

A longer-term comprehensive store renovation program, in conjunction with further investments in our customer-facing digital channels as well as marketing and loyalty initiatives, will further the goal to delight our customers whenever and wherever they experience our brand.

Resetting the Cost Structure – Cost savings from our comprehensive lease renewal efforts and the corporate workforce reduction announced in late July 2019, and certain other near-term actions, are expected to collectively take tens of millions of dollars out of the cost base of our business, increasing margins while also creating a more effective organization to meet the needs of our customers today and in the future.

Longer term, a substantial change in our sourcing and buying approach to increase the penetration of our private-label offerings should yield significant cost savings over the next two-to-three years and provide further product differentiation and a more favorable margin structure.

Reviewing and Optimizing Our Asset Base – An aggressive reduction of up to $1 billion of inventory is expected to be executed over the next 18 months, including the removal of excess aged inventory from our stores anticipated before the 2019 holiday season. This effort should allow us to quickly reset inventory levels in both our stores and distribution centers, as well as refresh our assortment, providing for newness and higher-margin products, all in an effort to drive customer traffic and support top-line performance.

Also, we continue to evaluate our fleet to create a better balance between our physical and digital presence within the markets we serve, to deliver the shopping experience our customers want. Furthermore, we expect to be able to take advantage of our heavy lease expiration cadence over the next couple of years, to close underperforming stores or relocate stores to improve sales and profitability on a per-store basis.

While our near-term priorities are primarily focused on Bed Bath & Beyond, we are also well underway with a review of the strategic alignment of all of the other business concepts and are assessing ways to better align or create value from these brands. In order to streamline and expedite this strategic review, we moved the reporting structure of all these other business concepts under one leader in conjunction with our other corporate workforce changes made in late July. While we cannot make any assurances, we are working with outside advisors, including Goldman Sachs, and are currently evaluating several different opportunities.

Board Transformation – Nine new independent directors have been appointed over the past few months, significantly reducing the average tenure of our Board. The new Board brings rich diversity of perspectives, backgrounds, ages, gender, race and ethnicity and reflects the diversity of the Company's loyal customers and dedicated associates.

Our directors are leaders in global retail, merchandising, technology, logistics, finance and governance, and we believe that our refreshed Board is well-equipped to provide an appropriate and effective level of oversight and guidance as we move our Company forward in partnership with our talented and highly dedicated management team.

In this short time, we have also accomplished a great deal toward building a best-in-class governance structure to help us move more effectively toward our goals, including: appointing an independent chair; reconstituting each of our Board committees; appointing committee chairs and updating committee charters and governance policies; and establishing a Business Transformation and Strategic Review Committee to review and evaluate the ongoing business transformation and make recommendations on how the Company can best capitalize on and navigate the evolving retail environment.

CEO Search—Substantial progress has been made toward identifying the Company's next permanent CEO. With the support of a leading executive search firm, the Board's CEO Search Committee has undertaken a robust process to identify a leader who has a multifaceted skill set, including transformation and innovation experience in the retail sector as well as e-commerce and marketing experience. The caliber of candidates is outstanding, and we expect to be able to announce the hire of a world-class CEO in the coming weeks who will lead the Company and continue the transformation already underway.

As we continue to work toward executing on our business transformation, we remain confident in the strength of our brand and the future of Bed Bath & Beyond. Our focus on putting the customer at the center of our transformation, supported by data and insights, is intended to restore Bed Bath & Beyond to its iconic status and improve the Company's competitive position.

While our teams are moving rapidly to address many near-term opportunities to stabilize the business and lay the foundation for sustainable growth, these are just the first steps in the Company's ongoing business transformation. Mary will give a more fulsome update on the business activities supporting our strategic priorities during our next earnings conference call scheduled for Wednesday, October 2, 2019.

Thank you for your interest and support of Bed Bath & Beyond.

Sincerely,

Patrick R. Gaston
Chairman of the Board of Directors

Mary A. Winston
Interim Chief Executive Officer

About the Company

Bed Bath & Beyond Inc. and subsidiaries (the "Company") is an omnichannel retailer that is the trusted expert for the home and heart-felt life events. The Company sells a wide assortment of domestics merchandise and home furnishings. The Company also provides a variety of textile products, amenities and other goods to institutional customers in the hospitality, cruise line, healthcare and other industries. Additionally, the Company is a partner in a joint venture which operates retail stores in Mexico under the name Bed Bath & Beyond.

The Company operates websites at bedbathandbeyond.com, bedbathandbeyond.ca, worldmarket.com, buybuybaby.com, buybuybaby.ca, christmastreeshops.com, andthat.com, harmondiscount.com, facevalues.com, ofakind.com, onekingslane.com, personalizationmall.com, decorist.com, harborlinen.com, and t-ygroup.com.

Forward-Looking Statements

This press release contains forward-looking statements, including, but not limited to, anticipated cost savings and the anticipated announcement of the hiring of a permanent Chief Executive Officer. Many of these forward-looking statements can be identified by use of words such as may, will, expect, anticipate, approximate, estimate, assume, continue, model, project, plan, goal, and similar words and phrases. The Company's actual results and future financial condition may differ materially from those expressed in any such forward-looking statements as a result of many factors. Such factors include, without limitation: general economic conditions including the housing market, a challenging overall macroeconomic environment and related changes in the retailing environment; consumer preferences, spending habits and adoption of new technologies; demographics and other macroeconomic factors that may impact the level of spending for the types of merchandise sold by the Company; civil disturbances and terrorist acts; unusual weather patterns and natural disasters; competition from existing and potential competitors across all channels; pricing pressures; liquidity; the ability to achieve anticipated cost savings, and to not exceed anticipated costs, associated with organizational changes and investments; the ability to attract and retain qualified employees in all areas of the organization, including a permanent Chief Executive Officer; the cost of labor, merchandise and other costs and expenses; potential supply chain disruption due to trade restrictions, political instability, labor disturbances, product recalls, financial or operational instability of suppliers or carriers, and other items; the ability to find suitable locations at acceptable occupancy costs and other terms to support the Company's plans for new stores; the ability to establish and profitably maintain the appropriate mix of digital and physical presence in the markets it serves; the ability to assess and implement technologies in support of the Company's development of its omnichannel capabilities; uncertainty in financial markets; volatility in the price of the Company's common stock and its effect, and the effect of other factors, on the Company's capital allocation strategy; risks associated with the ability to achieve a successful outcome for business concepts and to otherwise achieve its business strategies; the impact of goodwill and intangible asset impairments; disruptions to the Company's information technology systems including but not limited to security breaches of systems protecting consumer and employee information or other types of cybercrimes or cybersecurity attacks; reputational risk arising from challenges to the Company's or a third party product or service supplier's compliance with various laws, regulations or standards, including those related to labor, health, safety, privacy or the environment; reputational risk arising from third-party merchandise or service vendor performance in direct home delivery or assembly of product for customers; changes to statutory, regulatory and legal requirements, including without limitation proposed changes affecting international trade; changes to, or new, tax laws or interpretation of existing tax laws; new, or developments in existing, litigation, claims or assessments; changes to, or new, accounting standards; foreign currency exchange rate fluctuations; and the integration of acquired businesses. The Company does not undertake any obligation to update its forward-looking statements.

CONTACTS:

INVESTOR CONTACT:
Janet M. Barth, (908) 613-5820 OR IR@bedbath.com

MEDIA CONTACT:
Nick Lamplough / Leigh Parrish - Joele Frank, Wilkinson, Brimmer Katcher,
(212) 355-4449

EXHIBIT I

THOMSON REUTERS STREETEVENTS

EDITED TRANSCRIPT

BBBY - Q2 2019 Bed Bath & Beyond Inc Earnings Call

EVENT DATE/TIME: OCTOBER 02, 2019 / 9:00PM GMT

OVERVIEW:

Co. reported 2Q19 net sales of approx. $2.7b and GAAP net loss per diluted share of $1.12. Expects FY19 net sales to be around $11.4b and net diluted EPS to be $2.08-2.13.

THOMSON REUTERS

CORPORATE PARTICIPANTS

Janet M. Barth *Bed Bath & Beyond Inc. - VP of IR*

Mary A. Winston *Bed Bath & Beyond Inc. - Interim CEO & Director*

Robyn M. D'Elia *Bed Bath & Beyond Inc. - CFO & Treasurer*

CONFERENCE CALL PARTICIPANTS

Atul Maheswari *UBS Investment Bank, Research Division - Associate*

Bradley Bingham Thomas *KeyBanc Capital Markets Inc., Research Division - Director and Equity Research Analyst*

Curtis Smyser Nagle *BofA Merrill Lynch, Research Division - VP*

Daniel Harry Hofkin *William Blair & Company L.L.C., Research Division - Analyst*

Jonathan Richard Matuszewski *Jefferies LLC, Research Division - Equity Analyst*

Oliver Wintermantel *Evercore ISI Institutional Equities, Research Division - MD & Fundamental Research Analyst*

Robert Kenneth Griffin *Raymond James & Associates, Inc., Research Division - Senior Research Associate*

Sarah Clark *JP Morgan Chase & Co, Research Division - High Yield Credit Research Analyst*

Seth Mckain Basham *Wedbush Securities Inc., Research Division - MD Of Equity Research*

Simeon Ari Gutman *Morgan Stanley, Research Division - Executive Director*

Zachary Robert Fadem *Wells Fargo Securities, LLC, Research Division - Senior Analyst*

PRESENTATION

Operator

Welcome to the Bed Bath & Beyond Second Quarter Fiscal 2019 Earnings Call. (Operator Instructions) Today's conference call is being recorded. A rebroadcast of the conference call will be available beginning on Wednesday, October 2, 2019, at 8:00 p.m. Eastern Time through 8:00 p.m. Eastern Time on Friday October 4, 2019. To access the rebroadcast, you may dial (888) 843-7419 with a passcode ID of 49010664.

At this time, I'd like to turn the conference call over to Janet Barth, Vice President, Investor Relations. Please go ahead.

Janet M. Barth *- Bed Bath & Beyond Inc. - VP of IR*

Thank you, Adrienne, and good afternoon, everyone. Before we begin, I want to remind you that our fiscal 2019 second quarter earnings release and slide presentation can be found in the Investor Relations section of our website at www.bedbathandbeyond.com and as exhibits to the Form 8-K we filed just ahead of this call.

Joining me on our call today are Mary Winston, Bed Bath & Beyond's Interim Chief Executive Officer and member of the Board of Directors; and Robyn D'Elia, our Chief Financial Officer and Treasurer.

Let me remind you that this conference call and the slides we'll refer to may contain forward-looking statements, including statements about or references to our outlook regarding the company's performance, our internal model and our long-term objectives. All such statements are subject to risks and uncertainties that could cause actual results to differ materially from what we say during the call today. Please refer to our most recent periodic SEC filings for more detail on these risks and uncertainties, including the Risk Factors section in our annual report on Form 10-K. The company undertakes no obligation to update or revise any forward-looking statements.

Additionally, the information we will discuss today contains certain financial measures that exclude amounts or are subject to adjustments that have the effect of excluding amounts that are included in the most directly comparable measure prepared in accordance with generally accepted financial measures. For a reconciliation to the most comparable measures presented in accordance with GAAP, please refer to the table at the end of our earnings release available on our website and included as an exhibit to our Form 8-K filed today.

Some highlights from the second quarter include: adjusted net earnings per diluted share of $0.34, excluding $1.46, which consists of severance costs and an inventory write-down, which are related to the first wave of transformational initiatives as well as noncash store impairment charges; a 20 basis point improvement in adjusted gross margin reflecting benefits of several ongoing margin enhancement initiatives; a $47 million year-over-year reduction in adjusted SG&A expense reflecting some early benefits from our cost structure optimization efforts, including lower payroll and occupancy expenses; a cash and investments balance of approximately $1 billion; and a decline in retail inventories of approximately $492 million or approximately 18% at cost compared to the end of the prior year period, including a transformation-related inventory write-down of approximately $194 million during the fiscal 2019 second quarter. In addition, today, the Board declared a quarterly dividend of $0.17 per share that will be payable on January 14, 2020, to shareholders of record at the close of business on December 13, 2019.

I will now turn the call over to Mary.

Mary A. Winston - *Bed Bath & Beyond Inc. - Interim CEO & Director*

Thank you, Janet, and thank all of you for joining us this afternoon. On today's call, I'd like to provide an update on our actions supporting the company's strategic near-term priorities in connection with our ongoing business transformation. Following my comments, I will turn the call over to Robyn for a review of our financial and operational highlights of the quarter as well as our outlook for the year. Then we'll take your questions.

We feel good about the progress we are making against our 4 key near-term priorities, including stabilizing sales and driving top line growth; resetting the cost structure; reviewing and optimizing the company's asset base, including the portfolio of retail banners; and refining our organization structure. This work is being done with the support and guidance of the Business Transformation and Strategy Review Committee of the Board and a highly engaged leadership team. I'm even more confident in the tremendous opportunity in front of us.

Today, I would like to provide an update on the progress we have made against each of our 4 priorities as well as what this means for our path forward. Our goal is to ensure our customers see a meaningful difference this critical holiday season while laying the foundation for transforming our company for long-term success. Last month, in a letter to shareholders, Chairman Patrick Gaston and I shared our enthusiasm for our progress by providing a few specific examples of our near-term actions. I will now provide more details on those actions and several other initiatives we are pursuing.

Our #1 priority is stabilizing our top line and optimizing our sales opportunities. A core component of our sales stabilization efforts and our transformation overall is based on new data-driven insights that we are using to identify opportunities for improving our customer value proposition. We are committed to providing our customers with value, an improved omni-channel shopping experience and a relevant and compelling assortment of products. To deliver on this commitment, we are pursuing a multipronged approach that includes both near-term and long-term strategies to create a noticeably different shopping experience and a differentiated value proposition for our customers.

First, we are already underway with a rapid refresh of almost 160 of our highest volume and most profitable Bed Bath & Beyond stores to improve store traffic trends, drive sales and reset the store experience. We intend to create a more inviting and visually appealing shopping environment through a series of physical improvements to high-traffic areas of these stores such as in entryways and at checkout. These basic improvements, including installation of queue lines at checkout to display exciting impulse items, will be complemented with the rollout of new visual merchandising elements at the front end of the store and upgraded associate and customer-facing technology tools to enhance our associates' ability to drive sales and customer engagement. We expect most of the updates to be completed in advance of the 2019 holiday season.

Second, we plan to implement performance incentives for our store managers based on sales targets over the holiday period. To further drive holiday sales, we are adding marketing and promotional support for Bed Bath & Beyond in the back half of the year. Included in this spend are further investments in life-stage marketing and branding to reengage our customers as well as to drive foundational improvements in loyalty and

shopping frequency. It also includes plans for special in-store and online promotional events during Thanksgiving week through Cyber Monday as part of our efforts to aggressively target this important retail period.

Increasing enrollment in our at BEYOND+ membership program will be a critical focus during this time as well, including special promotional offers to drive increased customer acquisition and engagement. Our BEYOND+ members today shop on average 2x more frequently than our average nonmember customers and spend on average 4x as much.

We continue to optimize our overall marketing mix by reinvesting savings from our direct mail efforts into digital channels, including video, paid social and display advertising, while ensuring customers who use coupons to shop continue to receive them. We're also improving our marketing personalization efforts with more than 125 test campaigns launched so far. We have subsequently scaled about 1/4 of the campaigns to reach a larger audience. Our new customer data platform allows for the faster launch of new personalized experiences while providing greater reach across channels. Our personalization efforts in e-mail have reached more than 85% of our total e-mail subscribers within the past 5 months, and customers receiving personalized e-mails are engaging at an average click-through rate of between 20% and 40%.

Similar to our approach with marketing personalization, we are forming a cross-functional agile team focused on driving customer acquisition and sales within social media channels through rapid cycle testing of new content and targeting approaches. We are also in the process of rolling out a new promotional framework developed around the retail holiday calendar and other relevant themes with events that are bigger, bolder and beyond anything that we've done before. This includes significant changes to our holiday promotional plan to ensure our pricing on individual offers is compelling; to promote better coordination and communication across all customer touch points, both in-store and online, in a much more cohesive way; and to amplify our promotions to a greater extent than in previous years through additional investments in new communication channels, such as digital video and radio, while we also expand on our use of our existing communication channels.

We continue to make strategic pricing decisions to deliver noticeable value to our customers. These strategies include refining our dynamic pricing algorithms and online and in-store pricing actions to address customer price perceptions. The implementation of markdown optimization software and processes is accelerating sell-through, resulting in less aged inventory and optimizing the profitability of our seasonal and fashion assortment. We believe that more effective pricing will drive both top line growth and profit improvement. These near-term opportunities will provide the foundation required to invest in and execute the shopping transformation consumers are demanding and allow us to reinvigorate our iconic brand. Moreover, successful transformation will require significant enhancements to both our physical and digital channels to provide our customers a more seamless omni-channel shopping experience.

To start, we will get better at meeting our customers where and how they want to shop and where and how they want to receive their purchases. We continue to invest in our customer-facing digital channels while material improvements to the search and recommendations functionality of our site and mobile app. We are also systematically working toward removing customer friction throughout the experience by streamlining the checkout process and by adding estimated delivery dates to the product pages for items that we warehouse.

We also plan to convert our Reserve Online, Pick up In-Store service to Buy Online, Pick up In-Store to provide more convenience for customers to quickly pick up items at the store and enable conveniences like curbside pickup or lockers. These positive changes are yielding favorable results in our mobile app sales, which have grown over 90% year-over-year in the second quarter.

In addition to the store refresh initiative I just spoke about, we're developing a multiyear plan to upgrade and refresh a majority of our Bed Bath & Beyond locations. To help execute these plans, we are leveraging some of our other initiatives, such as our fleet optimization initiative and learnings from our next-generation lab stores. We will also incorporate insights from consumer research along with new visual and branding standards as well as technology upgrades. We will have a series of store experiences that we believe will resonate with our customers and enable them to interact with our brand from wherever is most convenient for them. Our store renovation plans are more substantial than anything we've done in the past, and we believe this plan will deliver noticeable change for our customers. We expect to begin the first wave of store renovations in early fiscal 2020.

Our second near-term priority is to reset our cost structure to better align with the current state of the business. We believe there are several hundred million dollars of cost savings opportunity over the long term embedded in our broader transformation efforts. Among these actions already taken, the initiation -- first, the initiation of a comprehensive real estate optimization effort, which commenced about 9 months ago. As

we have previously discussed, we are working with a specialized real estate consultant to renegotiate all leases, including those with longer-dated terms. In many cases, we have been able to achieve more favorable lease terms and landlord contributions. Occupancy savings from these efforts are expected to benefit fiscal 2019 and beyond. Next, we continue to review our overhead costs to drive greater operational efficiencies. We remain committed to doing what is necessary to ensure we have the right structure and resources for the business we are managing today and to position Bed Bath & Beyond for a bright future.

Although our review is ongoing and more changes are necessary, to date, we have taken the following actions: first, we completed a workforce reduction, which affected approximately 7% of our corporate staff, including executive officers, vice presidents, directors, managers and professional staff; second, we have realigned the organization structure to better support the transformation underway, including changes in reporting structure and responsibilities for some of our senior leaders; third, we are in the process of outsourcing certain transaction processing functions within our merchandising and finance areas to a third party, which is expected to result in the elimination of nearly 80 positions later in the calendar year. These actions, including other changes in our senior leadership structure combined with our real estate optimization savings, will generate cost savings of approximately $30 million from -- for fiscal 2019 and just over $50 million on an annualized basis.

As we work to optimize our cost structure for the longer term, we are casting a wider net, including an assessment of opportunities within our proprietary and private label brands as well as our supply chain and global sourcing capabilities. To accelerate this initiative, we are actively engaging with the industry's leading sourcing firms. As we implement multiple initiatives over the next several months, we see opportunity to achieve longer-term savings in cost of goods in the range of a few hundred million dollars.

Private label branding provides a lever to not only differentiate our customer value proposition but also to optimize our margin structure through improved direct import and direct sourcing practices. Today, our private label penetration within Bed Bath & Beyond is well below our competitors with a smaller percentage that is directly sourced, and therefore we have significant opportunity for margin improvement. One of our key focus areas is increasing the overall penetration of our portfolio of private label brands, such as Wamsutta, SALT, ORG, Bee & Willow, Artisanal Kitchen Supply and Olivia & Oliver, as well as our key preferred national brands such as UGG, Therapedic and Brookstone.

We are also in the process of launching 2 additional private label decorative home furnishing brands: One Kings Lane Open House and Marmalade. These are part of our previously communicated plans to introduce 6 in-house brands during 2019 and 2020. Our initial launch occurred last spring with the introduction of Bee & Willow.

Our third near-term priority is to review and optimize our asset base. As we mentioned in the recent shareholder letter, we have plans to aggressively reduce up to $1 billion of inventory at retail over the next 18 months. As a result of this decision, we took a $194 million inventory write-down in the second quarter. We believe this aggressive disposition of inventory will enable us to more quickly reset inventory levels in both our Bed Bath & Beyond stores and distribution centers to allow for a faster refresh of our assortment as well as to enable us to refocus store labor activity to better support our customers and drive sales. In the short term, more than approximately $350 million of inventory at retail will be removed from our stores before the 2019 holiday season. This will be accomplished with a series of markdowns and clearance events as well as with the assistance of an independent liquidator, all to be managed thoughtfully to prevent cannibalization of sales.

We have also completed our initial assessment with a fleet optimization program for all Bed Bath & Beyond stores to create a better balance between our physical and digital presence within the markets we serve. With the assistance of a third party, we have analyzed each U.S. stores' performance, profitability, geographic location and customer demographics to understand how best to position our store locations in various markets across the country. While we previously communicated an estimate of 40 total store closures in fiscal 2019 across all concepts, our fleet optimization work has resulted in the decision to close approximately 60 total stores in fiscal 2019 including approximately 40 Bed Bath & Beyond stores and 20 other concept stores. With this action, we are increasing the profitability of our remaining portfolio and believe that our remaining fleet will benefit from our renewed focus on driving traffic and operating efficiency.

Through this fleet optimization project, we have refined our internal processes for evaluating our stores' performance, which will benefit us going forward, especially as we look to capitalize on our heavy lease expiration cadence where we have more than 400 leases across all concepts expiring over the next couple of years. We are also evaluating opportunities for sale leaseback transactions, which could generate significant cash for the

company. We have nearly 4 million square feet of owned real estate, including both retail and nonretail buildings, as well as a little over half a million square feet of land. We are currently evaluating several offers from interested parties.

While our near-term priorities are primarily focused on Bed Bath & Beyond, a review of the strategic alignment of all the other business concepts is well underway. As previously announced, we are working with outside advisers, including Goldman Sachs, to assess how to better realign and realize greater value from certain of these assets. As part of our strategic review, we are evaluating a range of options, including outside interest in several of our brands. At the same time, we have acted to close down one of our least productive e-commerce businesses. While we have made no final decisions and cannot make any assurances, we believe significant value can be unlocked from potential sale leaseback and business concept transactions.

Our fourth and final near-term priority is to take a fresh look at our organization structure. It is critically important that as we transform Bed Bath & Beyond, we ensure we have not only the right talent and expertise but also the right team structures in place to facilitate a connected and efficient organization. During this interim period, we have realigned the reporting structure of the organization such that all other business concepts now report into one leader. This is a benefit in 2 ways: first, this enables us to streamline and expedite our strategic review of these businesses; and second, it allows the rest of our senior leaders to focus on transforming the Bed Bath & Beyond business.

As you heard from my update today, we are making good progress across multiple fronts. Our teams are operating with urgency and focus, and I'm grateful for their hard work, commitment and support. Together, the Board and the management team are challenging our current value proposition and operating model while also maintaining the focus on delighting our customers and delivering long-term value for shareholders.

Before closing, I'd like to comment briefly on the second quarter results and our outlook for the full year. Despite the ongoing challenges on our top line performance, we are pleased to have delivered adjusted net earnings per diluted share of $0.34 cents this quarter, reflecting the relentless effort of our teams and our progress in driving the company's transformation efforts. As Robyn will discuss in a moment, we are monitoring the tariff situation closely and working with our vendor partners to limit the impact on our business and customers. As this situation is still evolving, our financial guidance does not include any incremental impact from the Lists 4A and 4B tariffs or the tariff increase to 30% from List 3 items. We continue to expect our fiscal 2019 financial results to be in line with our most recent guidance, excluding incremental tariffs.

I'll now turn the call over to Robyn to review our quarterly financials and our outlook for the year.

Robyn M. D'Elia - *Bed Bath & Beyond Inc. - CFO & Treasurer*

Thank you, Mary. On a GAAP basis, we reported a net loss per diluted share of $1.12 for the second quarter of fiscal 2019. This loss includes charges related to the first wave of transformation initiatives, including severance costs of approximately $23 million associated with our corporate workforce reduction and our decision to outsource certain transaction processing functions within the business and an inventory write-down of approximately $194 million associated with our plans to aggressively reduce up to $1 billion of inventory at retail over the next 18 months. In addition, we had a noncash charge of approximately $28 million for the impairment of certain store-level assets. Excluding these charges, which aggregate to $1.46, our net earnings per diluted share was $0.34.

My remarks today on non-GAAP results exclude the impact of these transformation-related expenses and other charges to better represent the year-over-year performance of the business during the quarter.

Turning now to a review of our second quarter sales results. Our net sales in the quarter were approximately $2.7 billion, a decrease of approximately 7.3% from the second quarter of last year. Comp sales for the quarter decreased approximately 6.7% and reflected a decrease in the number of transactions in stores partially offset by an increase in the average transaction amount. On a directional basis, comp sales from our stores declined in the high single-digit percentage range while comp sales from our customer-facing digital channels declined slightly.

On an adjusted basis, gross margin for the quarter was approximately 33.9% of net sales as compared to approximately 33.7% in the second quarter of last year. This 20 basis point improvement reflects the progress of our margin enhancement initiatives. In order of magnitude, this improvement as a percentage of net sales was primarily due to decreases in coupon expense and net direct-to-customer shipping expense partially offset by a

decrease in merchandise margin. The decrease in coupon expense was the result of a lower number of redemptions partially offset by a higher average coupon amount.

In addition, as we have previously described, our BEYOND+ membership program has impacted and will continue to unfavorably impact our gross margin as the rate of member enrollment increases. We estimate the impact from BEYOND+ on our gross margin was approximately 50 basis points for the second quarter this year compared to 40 basis points for the second quarter last year. As a reminder, the consumer-focused benefits of this program, including 20% off entire purchase and free shipping, are realized immediately upon sale while the membership fee is currently amortized over the 1-year membership period. We currently have approximately 1.3 million BEYOND+ members, representing a modest sequential increase over the membership level at the end of the first quarter.

We continue to evaluate the learnings from this program. And as Mary referenced earlier, the data shows that our BEYOND+ members shop 2x more frequently than our average nonmember customers and spend on average 4x as much. The customer insights we have gained also help us direct product offers and content to these loyal customers through marketing personalization. As Mary also mentioned, we are planning some BEYOND+ specific promotional offers around the holiday to increase acquisition and improve member engagement.

Adjusted SG&A expense for the quarter was approximately $858 million or 31.6% of net sales as compared to approximately $905 million or 30.8% of net sales in the prior year period. The year-over-year $47 million decrease reflects some early benefits from our cost structure optimization efforts, including lower payroll and payroll-related and occupancy expenses. As a percentage of net sales, the 80 basis point increase was primarily due to the pronounced effect of our fixed costs, such as technology-related expenses, including depreciation and occupancy on a lower sales base.

On an adjusted basis, our effective tax rate was approximately 9% and includes approximately $5.3 million of net after-tax benefit or about $0.04 per diluted share due to distinct events occurring in the quarter. As a result of the lower pretax earnings base in the second quarter, these net after-tax benefits result in a greater beneficial impact on the effective tax rate. In the prior year period, our adjusted effective tax rate was approximately 24.4% and included net after-tax cost of approximately $1.8 million due to distinct events occurring in that quarter.

Now looking to our balance sheet. We ended the quarter with approximately $1 billion in cash and investments. Retail inventories at the end of the quarter were approximately $2.3 billion at cost, which represents a reduction of approximately $492 million or approximately 18% at cost compared to the end of the prior year period, including an inventory write-down of approximately $194 million during the fiscal 2019 second quarter.

Capital expenditures for the first 6 months were approximately $125 million with about 50% related to technology projects, primarily including investments in our digital capabilities, analytics and logistics. The remaining CapEx was primarily related to new store openings and maintenance of existing stores and the remodeling of 75 stores, the bulk of which were next-generation lab stores. During the second quarter, we closed 2 Bed Bath & Beyond stores. Share repurchases under our current $2.5 billion share repurchase program were approximately $16 million in the quarter, representing about 1.4 million shares. We plan to continue our share repurchase program throughout the remainder of the fiscal year subject to business and market conditions.

Our capital allocation strategy is actively under review as the Board and management team evaluate future capital investments required to progress the company's ongoing business transformation as well as potential uses of funds generated by any potential asset sales or further monetization of our balance sheet including sale leaseback transactions. And finally, our Board of Directors today declared a quarterly dividend of $0.17 per share to be paid on January 14, 2020, to shareholders of record as of December 13, 2019.

I'll wrap up my remarks in the second quarter by acknowledging that while we have more work to do, we are making good progress toward achieving our objectives.

Before turning to guidance, I'd like to make a few comments about tariffs. Our merchandising and pricing teams have been able to execute appropriate strategies to minimize the unfavorable impact from tariffs relating to items on Lists 1 through 3 at the current 25% rate. These strategies primarily include negotiating with our vendor partners and adjusting retail prices when appropriate. Keep in mind that Bed Bath & Beyond currently sources the vast majority of its products domestically, and therefore we are not directly subject to these tariff changes but only to the degree that

we cannot mitigate any potential pass-through from our vendor partners. An estimation of the Lists 1 through 3 tariff impact was contemplated in our most recent financial guidance.

Subsequently, we have been evaluating the potential incremental impact from the move to 30% on List 3 and the proposed Lists 4A and 4B tariff, which affects a significantly larger part of our assortment than the prior tariffs. As you know, List 4A went into effect on September 1, and List 4B is expected to be implemented on December 15. So far, we have not seen any material impact from the implementation of List 4 tariffs.

At this time, we have not included an estimate for an incremental tariff impact in our fiscal 2019 guidance. However, we believe the incremental potential impact could be up to $0.10, and that is assuming we can continue to execute some mitigation strategies. We are monitoring the situation closely and working with our vendor partners to limit the impact to our business and customers.

Now turning to guidance. Fiscal 2019 full year results continue to be in line with our most recent guidance and assumes our current investment plans to drive top line performance in the back half as well as our comp sales trends year-to-date and excludes goodwill and other impairments, severance costs, shareholder activity costs, the inventory write-down and any incremental impact from tariffs. Fiscal 2019 full year net sales are estimated to be around $11.4 billion, and net earnings per diluted share are estimated to be between $2.08 and $2.13.

As we look to the back half of the year, I would like to point out a few items. First, our third quarter ends on November 30, the Saturday of Thanksgiving weekend. Therefore, our third quarter results this year will reflect only the Thanksgiving holiday weekend, including Black Friday, while our fiscal third quarter results last year included Thanksgiving, Black Friday, Cyber Monday and that whole week. Second, as Mary noted, we are adding marketing and promotional spend for Bed Bath & Beyond in the back half, with the majority of this expense occurring late in the third quarter, with some of the anticipated benefit to sales occurring in the fourth quarter. Lastly, our third quarter last year benefited from a $28 million gain on the sale of a building, which represented about $0.16.

Taking this all into consideration, we expect fiscal 2019 third quarter adjusted net earnings per diluted share to be relatively flat versus the prior year period which, on an adjusted basis, was about $0.02 per diluted share. The remainder of our full year net earnings per diluted share is expected to be earned in the fourth quarter.

Finally, capital expenditures for the fiscal 2019 continue to be planned at approximately $350 million to $375 million with about 50% related to technology projects as well as the spend associated with our rapid store refresh program and investments in warehouses for e-commerce distribution and personalized product.

I will now turn the call back over to Mary.

Mary A. Winston - *Bed Bath & Beyond Inc. - Interim CEO & Director*

Thank you, Robyn. During our call, we have provided a lot of transparency around the things that we are doing to advance our strategic priorities, including plans to aggressively reduce up to $1 billion of inventory at retail over the next 18 months, including the removal of aged inventory from our stores before the 2019 holiday season to refresh our assortment and support top line performance; the initiation of a rapid store refresh of nearly 160 of our highest volume and most profitable Bed Bath & Beyond stores to improve the in-store shopping experience; the completion of our initial fleet optimization analysis for Bed Bath & Beyond and the decision to close 40 Bed Bath & Beyond stores and 20 other concept stores this year; our decision to close down one of our least productive e-commerce businesses; and finally, the ongoing evaluation of our business concepts and our real estate holdings.

In summary, as we continue to work toward executing on our business transformation, we remain confident in the strength of our company and the future of Bed Bath & Beyond. Our teams are moving rapidly to address many near-term opportunities to stabilize the business and lay the foundation for sustainable growth. I want to thank all of our associates for their ongoing dedication and support of the transformation efforts underway.

Before turning to Q&A, let me say a few words about our CEO search. As we said in the recent shareholder letter, substantial progress has been made toward identifying the company's next permanent CEO. We remain on track and still expect to make an announcement soon.

Now we can open the call for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) And our first question comes from Seth Basham from Wedbush.

Seth Mckain Basham - *Wedbush Securities Inc., Research Division - MD Of Equity Research*

My question is around the outlook for holidays. You guys are shifting a bunch of marketing dollars and promotional dollars to the holiday period. Can you first quantify how much you're shifting and how much you're adding? And secondly, what type of improvement do you expect in those sales as well as margin over this period?

Robyn M. D'Elia - *Bed Bath & Beyond Inc. - CFO & Treasurer*

Sure. Thanks, Seth. So as you've mentioned, we are shifting dollars into the back half for promotional and marketing support. Those dollars are being generated from ongoing transformation initiatives as well as the benefits that Mary mentioned in our cost structure savings initiatives. And those dollars that we're planning to invest will be spent on promotional events during Thanksgiving week through Cyber Monday as well as driving enrollment in BEYOND+ and investing in new communication channels, such as digital, video and radio. In terms of quantifying it, we've built it all in for the model, and those -- the reinvestment of those dollars is allowing us to maintain our top line at around $11.4 billion as well as maintain our bottom line within the previously guided range.

Seth Mckain Basham - *Wedbush Securities Inc., Research Division - MD Of Equity Research*

That's helpful. And then I have a follow-up as it relates to your inventory. You guys are quickly reducing your inventory to get to your goal of $1 billion reduction at retail. Should we expect any more markdowns or, I should say, write-downs to reach that goal over the next 18 months?

Mary A. Winston - *Bed Bath & Beyond Inc. - Interim CEO & Director*

This is Mary. No, I think we believe that where we are with the write-down we're taking this quarter covers the full $1 billion of inventory. So now our work will just be to accelerate the process and actually getting it out of our stores.

Operator

And our next question comes from Brad Thomas from KeyBanc Capital Markets.

Bradley Bingham Thomas - *KeyBanc Capital Markets Inc., Research Division - Director and Equity Research Analyst*

First, I wanted to ask about some of the strategic review as you analyze some of the different business units and some of the assets that you may be able to sell, like some other real estate. I guess is there any ability to quantify for us the kind of bids or interest level that may be out there and anymore ability to talk about timing with which you might be able to address some of this?

Mary A. Winston - *Bed Bath & Beyond Inc. - Interim CEO & Director*

This is Mary. Thanks for the question, Brad. I would say, at this point, no, we're not in a position to put specific numbers to the businesses and all that. I will say we are very actively engaged in the process. So -- and we've had a number of inbound interest on some of our portfolio companies. And so we're taking a look at those. We're evaluating that. We're going through the normal process that you would go through to do that. And so when we have something to report that actually turns into a potential transaction, we'll certainly come forward with that. But at this point, not knowing how many things may go forward and all of that, it's hard for us to put any number on it.

And in terms of the other assets, the real estate, I think we talked about that from a square footage standpoint as the combination of retail and nonretail real estate. So we're looking at some inbounds there as well. And so we'll have a sense of that, I would say, in the next quarter or 2 as we move through that process.

Bradley Bingham Thomas - *KeyBanc Capital Markets Inc., Research Division - Director and Equity Research Analyst*

That's helpful, Mary. And if I could ask a follow-up around fundamentals. You're clearly making some progress on gross margin and on expenses. But I guess as I look at same-store sales, a difficult first half of the year. Can you talk a little bit of how you're thinking about same-store sales progressing through the balance of the year and kind of what you've been seeing so far in 3Q?

Robyn M. D'Elia - *Bed Bath & Beyond Inc. - CFO & Treasurer*

Yes. So -- oh, go ahead, I'm sorry.

Mary A. Winston - *Bed Bath & Beyond Inc. - Interim CEO & Director*

I'll go first, and then I'll let Robyn go, I'll just make a couple of quick comments. I think you're right in your comments about what the trends you're currently seeing. It has been a rough first half of the year. And as we've said early on, we expect sales to start to stabilize and to see better trends in the back half of the year. For the full year, we do still expect to be comping down though. And we've talked pretty extensively in the prepared remarks about all of the initiatives that we have underway to help drive sales. I'll let Robyn jump in and cover some of that.

Robyn M. D'Elia - *Bed Bath & Beyond Inc. - CFO & Treasurer*

So just to cover your question on how we're performing third quarter to-date, we are still declining from a comp perspective but at a lower rate than what we've experienced through the second quarter.

Operator

And our next question comes from Bobby Griffin from Raymond James.

Robert Kenneth Griffin - *Raymond James & Associates, Inc., Research Division - Senior Research Associate*

I was first hoping to dive a little bit into the gross margin aspect. Can you maybe give us a little color, by concept or maybe month by month, the progress you're making in improving the margin structure? And then basically the same question on the SG&A side, too, if we can get some color around, month-over-month, how it's improved and where the bigger opportunities are for the remainder of the year.

Robyn M. D'Elia - *Bed Bath & Beyond Inc. - CFO & Treasurer*

Sure. Just to address your point on breaking out the components by concept, that is not historically been our reporting cadence to break it out at that granular level. But from a gross margin perspective, we are pleased that this quarter, we have favorable trends, 20 basis points improvement. That is a significant shift from what we've been experiencing from a trending perspective. And it's driven by benefits in coupons and net direct-to-customer shipping with some offset in merchandise margin. But that merchandise margin, which I'm talking about on a consolidated basis, the trend in that has been improving due to some of the ongoing initiatives that we have in place. So for some select product, we've actually moved to direct importing and gained efficiencies from our own supply chain, which has benefited us. We've also been actively engaging in vendor negotiations around our merchandise. And then we've also continued with some strategic pricing initiatives, which has helped benefit our margin. And we have more to come.

Robert Kenneth Griffin - *Raymond James & Associates, Inc., Research Division - Senior Research Associate*

I guess I was maybe looking on the 20 basis points for the quarter, did it exit the quarter at a stronger rate than that where we can see that it's improving at a faster rate and we're on pace for greater than 20 exiting the quarter. I guess just on a consolidated basis was what I was asking.

Robyn M. D'Elia - *Bed Bath & Beyond Inc. - CFO & Treasurer*

Yes. And I guess the way I'm viewing is quarter-to-quarter. I mean last quarter, we were down 50 basis points. It was unfavorable. And now we've trended positively this quarter by 20, so we are moving in a positive momentum.

Robert Kenneth Griffin - *Raymond James & Associates, Inc., Research Division - Senior Research Associate*

Okay. And then on the store closures, can you just tell us about the timing of the 60 all weighted in the fourth quarter? How should we spread them out in our model?

Robyn M. D'Elia - *Bed Bath & Beyond Inc. - CFO & Treasurer*

They are weighted towards the fourth quarter, which is the typical timing of when we negotiate our leases.

Operator

And our next question comes from Carla Casella from JPMorgan.

Sarah Clark - *JP Morgan Chase & Co, Research Division - High Yield Credit Research Analyst*

This is Sarah Clark on for Carla Casella. I was just wondering if you would consider buying back bonds in the market and if you had any update on a target leverage figure.

Mary A. Winston - *Bed Bath & Beyond Inc. - Interim CEO & Director*

Yes. We don't have an update at this point on a target leverage figure. We are actively discussing with the Board our overall capital allocation approach, and so we will be sorting that out relatively soon. As you know, we have a number of moving pieces. I think right now, our capital allocation priorities continue to be what they have been given the amount of transformation effort that we have underway. Certainly, investing back in the business to drive those initiatives and get sales moving in the right direction and improve the business performance is a top priority. But we're also looking at the other ways to return funds to shareholders. So continuing our dividend program, the share buybacks that Robyn spoke about and buying back our debt is on the list as well. So we'll -- that will be a consideration as well.

Operator

And our next question comes from Simeon Gutman from Morgan Stanley.

Simeon Ari Gutman - *Morgan Stanley, Research Division - Executive Director*

My first question, back on some of the inventory and the destocking. I know you said an 18-month process, can you tell us maybe what inning is it in from, I guess, a store perspective? And the impact that it's having as the customer shops, can you give us some sense? Are you seeing a basket-size change? Are you seeing conversion then go up online if they're not finding something in the store? And then I have one follow-up on the gross margin.

Robyn M. D'Elia - *Bed Bath & Beyond Inc. - CFO & Treasurer*

From a timing perspective, in the short term, we are planning that -- to have about $350 million of the inventory out of the stores before holiday. We are in the early innings of starting that process and of removing the inventory from the physical store locations. As we're working through that, we're mindful not to cannibalize sales during this holiday period.

Simeon Ari Gutman - *Morgan Stanley, Research Division - Executive Director*

Okay. I guess the follow-up on the gross margin, I apologize because I wasn't on the beginning part of the call. So you took, I guess, this write-down now, and you're suggesting we add it back, and now you're starting to clear out some of this inventory. And so can you just talk about some of the mechanics of this on the gross margin, how we should think about it?

Robyn M. D'Elia - *Bed Bath & Beyond Inc. - CFO & Treasurer*

Sure. So for the quarter, we took a charge of $194 million. As that inventory clears through, any markdowns associated with that inventory has already been taken from a P&L perspective. But we also have inventory that we've been focused on from an assortment optimization perspective included in this write-down that we'll have to work through the process over time, which will take us about 18 months or up to 18 months to clear through that merchandise and be able to present a crisper, fresher point of view from a customer perspective.

Operator

And our next question comes from Michael Lasser from UBS.

Atul Maheswari - *UBS Investment Bank, Research Division - Associate*

This is Atul Maheswari on for Michael Lasser. So it seems like your digital growth took a step down this quarter. What drove this deceleration? And what plans do you have to reaccelerate top line and reaccelerate online sales? And then along those lines, what have you baked in for digital growth in the back half of the year?

Mary A. Winston - *Bed Bath & Beyond Inc. - Interim CEO & Director*

This is Mary. I'll take the first part of your question about our digital business. So your observation is correct, we were slightly down on that business this quarter. And I would say the biggest impact is somewhat self-inflicted. We're still suffering the ramifications of decisions that were made earlier where we were focused on profitability at the expense of sales. So for the online business, we did things like eliminate some of the SKUs online

because of their level of profitability. We minimized -- we've put a minimum order quantity on some of the online sales. We increased our free shipping threshold. So collectively, all those things have put pressure on that business.

What we're trying to do about that is we're reversing many of those decisions. Again, our top priority now is to focus on sales and to manage the cost line through all the other initiatives that we've talked about. And so we are reinvesting in our online. We're investing in improvements in our search and recommendations capabilities on the website. We're streamlining the checkout process. We're about to be rolling out our BOPIS, Buy Online, Pick up In-Store. So we're doing a number of things to change the tide and change the direction of that and move -- start to move that in the right direction. And what was your second question?

Atul Maheswari - *UBS Investment Bank, Research Division - Associate*

So basically, what have you baked in for digital growth in the back half of the year.

Robyn M. D'Elia - *Bed Bath & Beyond Inc. - CFO & Treasurer*

So in terms of the back half, to get to the range of around $11.4 billion, it does imply that there's less negative -- I guess less negative comps from a back half perspective, but we don't break that out by channel explicitly.

Operator

And your next question comes from Jonathan Matuszewski from Jefferies.

Jonathan Richard Matuszewski - *Jefferies LLC, Research Division - Equity Analyst*

First one, just to follow up on e-comm, you alluded to closing down one of your least productive digital businesses. So maybe just give us some more color there in terms of timing, rationale and impact to sales and profitability. And then I had just a quick follow-up.

Mary A. Winston - *Bed Bath & Beyond Inc. - Interim CEO & Director*

Okay. On that particular business, the timing is the end of this month. It is one of our smallest businesses, so the impact on the financial performance overall is immaterial. It's a business that specializes in selling specialized and unique fashion and home products. And again, it's one of our smallest e-commerce businesses.

Jonathan Richard Matuszewski - *Jefferies LLC, Research Division - Equity Analyst*

Okay. Great. And then just a follow-up question on 4Q. So based on the revised annual guide, it looks like we'd be looking for around 3 quarters of annual earnings coming in 4Q. And that's a bit above kind of what's been earned in recent years. So could you just confirm, is it the new promotional framework during the holiday season that you think is going to be driving the earnings growth? And then just clarify whether that implied 4Q guide includes things like potential sale leaseback proceeds.

Robyn M. D'Elia - *Bed Bath & Beyond Inc. - CFO & Treasurer*

So we do have a significant amount of earnings included in the fourth quarter, one, due to the timing shift of the holiday period. So the third quarter of this year ends on the Saturday right after Thanksgiving whereas last year, it had included Thanksgiving, Black Friday and a full week following that. So that's one item, that the fourth quarter now picks up that initial week following Thanksgiving. Additionally, with the incremental marketing and promotional spend that we're adding for the year, if you -- you may recall that from the accounting rules, once you send an event out, you

immediately have to expense that event in full even though the benefits of that event may spread over a period of time. And so it will impact third quarter more heavily and benefit fourth quarter because you'll have some sales spillover into that period. And as far as considering proceeds from sale leaseback, that is not contemplated in the model.

Operator

And our next question comes from Oliver Wintermantel from Evercore ISI.

Oliver Wintermantel - *Evercore ISI Institutional Equities, Research Division - MD & Fundamental Research Analyst*

I just wanted to clarify, when you said that the inventory fell through, that should not have a gross margin impact towards the rest of the year. So I just want to clarify that. And then my other question on gross margins is like the shipping cost seemed to be a benefit in the second quarter. So was that driven by lower sales and that's why shipping costs were better? And then now looking into the back end of the year, do you expect that your sales are going to improve throughout the year? And the BEYOND+ membership promotions that you have during the holiday season, should we expect gross margins to be down because of shipping costs? Or should that have a negative impact?

Robyn M. D'Elia - *Bed Bath & Beyond Inc. - CFO & Treasurer*

So that was a multipart question. I'm going to start with the first one, and I may have to ask you to repeat a couple of your sub-bullet points. So on the inventory, you're asking about the margin impact as we take out the merchandise. Again, we're mindful not to cannibalize sales during the holiday period. And we can, using a third-party liquidator, remove that merchandise from our stores but not have it out in the market competing against ourselves or be liquidating it in a heavy fashion during this time frame. And then I think you asked about shipping expense. Yes, we've seen shipping as a favorable driver as a percent of sales benefiting gross margin in this quarter. And I'm sorry, if you could repeat your...

Oliver Wintermantel - *Evercore ISI Institutional Equities, Research Division - MD & Fundamental Research Analyst*

Yes. The question was just with your improving sales in the back end of the year and the BEYOND+ membership promotions, should we expect then gross margins to be negatively impacted because of shipping costs in the second half?

Robyn M. D'Elia - *Bed Bath & Beyond Inc. - CFO & Treasurer*

Assuming a significant ramp-up in BEYOND+, yes, we've been calling out how that's impacted margin because they do have free shipping associated with increased enrollment, but they also spend more frequently and spend heavier when they're buying from us than the average customer.

Operator

And our next question comes from Curtis Nagle from Bank of America.

Curtis Smyser Nagle - *BofA Merrill Lynch, Research Division - VP*

Maybe just a little bit more detail on the progress of the CEO search, perhaps how many candidates you're down to, what does soon mean. And are you still within "weeks" as you guys have laid out in your shareholder letter?

Mary A. Winston - *Bed Bath & Beyond Inc. - Interim CEO & Director*

So to answer the last part of your question first, yes, we are definitely down to the final weeks. I'm not going to get into the details of the number of candidates, but we have been very actively focused on the search. We've got a great search firm working with us. We've had great interest in the position, so we've had quite a number of strong candidates. As I think we had mentioned before, we're looking for somebody with retail transformation experience, innovation, online and digital experience, marketing experience. So we're looking for all of the things that we would need to really continue the transformation of the business. And we feel good about where we are in the process, and so we expect to be naming a permanent CEO soon.

Curtis Smyser Nagle - *BofA Merrill Lynch, Research Division - VP*

Okay. Fair enough. And then just in terms of 3Q, thinking about the timing and the calendar shift and when holidays hit, is that going to impact how you guys report comps? Or is that going to be adjusted for?

Robyn M. D'Elia - *Bed Bath & Beyond Inc. - CFO & Treasurer*

Our comps will be based on the same period in the prior year, so we wouldn't adjust for it.

Operator

And our next question comes from Zach Fadem from Wells Fargo.

Zachary Robert Fadem - *Wells Fargo Securities, LLC, Research Division - Senior Analyst*

Again, on the gross margin, you mentioned the ramp in BEYOND+. But I believe you said the coupon had a less negative impact from fewer redemptions. So curious if you could speak to that in a little more detail whether the lower coupon usage was self-inflicted and how we should think about the coupon going forward as its impact to sales and gross margin.

Robyn M. D'Elia - *Bed Bath & Beyond Inc. - CFO & Treasurer*

Sure. So coupon -- the decrease in the redemptions of coupon was, I would say, not self-inflicted. We had as many coupons distributed this quarter this year versus last year, and we will continue to issue coupons to customers who utilize them and who want them when they're shopping with us.

Zachary Robert Fadem - *Wells Fargo Securities, LLC, Research Division - Senior Analyst*

Okay. Understood. And then on the store manager incentives, maybe you could talk a little bit more about the metrics you'll be tracking and rewarding. And when you were evaluating whether to move forward with this plan, curious to hear whether you piloted the program in any of your stores and maybe you can talk about your findings there and any sales or margin lift per store that we should anticipate.

Mary A. Winston - *Bed Bath & Beyond Inc. - Interim CEO & Director*

So we don't have those details quite handy. And no, we did not pilot it separately. And this is basically a onetime program that's targeted toward driving sales over the holiday period. This is a really critical period for us. We're doing a lot of things to bring people into the stores, and so we also want to incentivize our sales managers to be thinking about selling and driving sales as they're in the stores. And it's also good for morale in a time of change in the stores and sales comping down up to this point, so it will give them the opportunity to participate in driving incremental sales.

Operator

And our last question will come from Daniel Hofkin from William Blair.

Daniel Harry Hofkin - *William Blair & Company L.L.C., Research Division - Analyst*

Just a quick question about general fundamentals and then a quick -- just a couple of quick housekeeping questions. So you talked about efforts to drive more sales in the back half and to the holidays. Can you just talk about what sort of impact you expect on profit margins or profitability from that and how that could kind of build over time? Obviously, driving top line is important but in terms of the trade-up between sales and margins and then, like I said, I have a couple of quick housekeeping questions after that.

Mary A. Winston - *Bed Bath & Beyond Inc. - Interim CEO & Director*

So let me just start, and then I'm going to turn it over to Robyn to maybe talk at a little bit more detailed level. But even as we said in the fourth quarter, we are focused on driving -- I mean the first quarter call, we're focused on driving top line, but we're focused on maintaining profitability as well. So we believe, given the number of levers we have to pull and the number of opportunities we have in the business, that we can drive sales and we may be on promotion, of course, through the holiday season and be doing more advertising. But we think we have other levers to pull to control the cost structure to maintain profitability.

Robyn M. D'Elia - *Bed Bath & Beyond Inc. - CFO & Treasurer*

And considering that and the sales stabilization initiatives that we have is what led us to maintaining our guidance of the sales around $11.4 billion and then EPS between $2.08 and $2.13.

Daniel Harry Hofkin - *William Blair & Company L.L.C., Research Division - Analyst*

Okay. And then I guess a couple of things. A couple of adjustments you guys have made, I guess, in this release and then in the prior quarter, too. You took what looks like a sizable reduction in your sales return liability in the last couple of quarters relative to last year, like more than 200 basis points by our math as a percentage of sales. Just wondering what would have driven that and that large reduction. And then the other question is just on the size of the inventory adjustment this quarter in terms of like adding it all back to adjusted earnings.

Robyn M. D'Elia - *Bed Bath & Beyond Inc. - CFO & Treasurer*

So from a sales return perspective, that reserve is definitely impacted by the seasonality of our business. And so if sales are coming down, depending on the time of the year that we're in, we're certainly going to see reductions in that reserve. In addition, we made some changes to our returns policy which, over time, we would assume that the sales returns would be fewer than what we've had experienced in the past. However, we don't know if we compromise sales by some of those changes initially from a customer-facing perspective. But again, over time, the sales return policy would impact it. If you have a specific quarter, detail dollars, we can certainly have a follow-up call to walk you through the mechanics of what you're seeing. And I'm sorry, you had a second question?

Daniel Harry Hofkin - *William Blair & Company L.L.C., Research Division - Analyst*

Yes. Just about the inventory adjustment. I mean I understand conceptually, but it kind of seems like the inventory presumably was, either in hindsight, you overpaid for it or market conditions or whatever, kind of competitive positions changed. Just wondering why it would be -- why you guys would add back kind of that full charge within this quarter as opposed to just part of it or apply it against historical earnings over the period where it would have lost value.

Robyn M. D'Elia - *Bed Bath & Beyond Inc. - CFO & Treasurer*

Well, this inventory write-down is tied to our strategic initiatives. It's flagging inventory that we see as aged inventory or duplicative SKUs in our assortment. So we've been actively working on identifying those duplicative SKUs and wanting to move them out of our assortment again so that we can present a clearer point of view from an inventory and merchandising perspective to our customers. So we view this as tied to transformation.

Operator

And this concludes the question-and-answer session. I'll now turn the call back over to Janet Barth for final remarks.

Janet M. Barth - *Bed Bath & Beyond Inc. - VP of IR*

Thank you. And thank you all for participating on our call today. If we didn't get to your questions or if you have additional questions, please feel free to contact me for a follow-up call, e-mail. Call me, I'll be happy to get back to you. Otherwise, have a good night.

Operator

Thank you. Ladies and gentlemen, this concludes today's conference call. Thank you for participating, and you may now disconnect.

EXHIBIT J

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT
PURSUANT TO SECTION 13 OR 15 (d)
OF THE SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported) December 16, 2019

BED BATH & BEYOND INC.
(Exact name of registrant as specified in its charter)

New York	0-20214	11-2250488
(State or other jurisdiction of incorporation)	(Commission File Number)	(I.R.S. Employer Identification No.)

650 Liberty Avenue, Union, New Jersey 07083
(Address of principal executive offices) (Zip Code)

(908) 688-0888
(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4 (c))

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Common stock, $.01 par value	**BBBY**	**The Nasdaq Stock Market LLC (Nasdaq Global Select Market)**

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Item 5.02 Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.

On December 17, 2019, Bed Bath & Beyond Inc. (the "Company") announced the restructuring of its leadership team, including, among other changes, the departure of Susan E. Lattmann, the Company's Chief Administrative Officer, effective as of December 16, 2019. As part of the restructure, the Chief Administrative Officer role has been eliminated. In connection with her separation from the Company, Ms. Lattmann will be entitled to those separation payments and benefits as are provided upon a termination of employment without "cause" pursuant to her employment agreement and outstanding option and performance stock unit award agreements. Following her separation, Ms. Lattmann will continue to be subject to certain restrictive covenants, including post-termination non-competition and non-solicitation covenants.

A copy of the Company's press release announcing the restructuring of the Company's leadership described above is attached hereto as Exhibit 99.1 and is incorporated herein by reference.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits.

Exhibit No.	Description
99.1	Press Release issued by Bed Bath & Beyond Inc. on December 17, 2019
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

BED BATH & BEYOND INC.
(Registrant)

Date: December 17, 2019

By: /s/ Robyn M. D'Elia
Robyn M. D'Elia
Chief Financial Officer and Treasurer
(Principal Financial and Accounting Officer)

Exhibit 99.1

FOR IMMEDIATE RELEASE

BED BATH & BEYOND INC. ANNOUNCES EXTENSIVE CHANGES TO LEADERSHIP TEAM

Change Builds Further Momentum Around Transformation Plans

UNION, New Jersey, Dec. 17, 2019— Bed Bath & Beyond Inc. (Nasdaq: BBBY) today announced an extensive restructure of its leadership team, including the departure of six senior members. This bold pivot reflects the priorities of new President and CEO, Mark Tritton, who will launch his new vision for the Company in early 2020. The new team will be charged with streamlining decision-making, accelerating the pace of transformation, and re-establishing Bed Bath & Beyond's authority in the home space through a more customer focused, omnichannel retail operation, a redefined product assortment, and a more convenient and inspirational shopping experience.

Mark Tritton, Bed Bath & Beyond's President and CEO said:

"We've helped millions of people make it easy to feel at home for almost half a century and our business remains uniquely placed to play an essential role in our customers' lives. To do so, we need to make the business we call home, as special as our customers make theirs.

This is the first in a number of important steps we're taking. Balancing our existing expertise with fresh perspectives from new, innovative leaders of change, will help us to better anticipate and support our customers in their life journeys and shopping needs."

In redefining the structure and roles of the new leadership team, five senior members are leaving their positions, including the Chief Merchandising Officer, Chief Marketing Officer, Chief Digital Officer, Chief Legal Officer & General Counsel, and Chief Administrative Officer. The sixth member, the Chief Brand Officer, resigned last week. While interim leads have been appointed, the Company has commenced a search to fill the positions of Chief Merchandising Officer, Chief Digital Officer, General Counsel, as well as a newly combined Chief Marketing and Brand Officer position.

Mark Tritton continued:

"As we look to the future, I would like to thank all those leaving today for their work and commitment to our business over many years."

About the Company

Bed Bath & Beyond Inc. and subsidiaries (the "Company") is an omnichannel retailer that is the trusted expert for the home and heart-felt life events. The Company sells a wide assortment of domestics merchandise and home furnishings. The Company also provides a variety of textile products, amenities and other goods to institutional customers in the hospitality, cruise line, healthcare and other industries. Additionally, the Company is a partner in a joint venture which operates retail stores in Mexico under the name Bed Bath & Beyond.

Forward-Looking Statements

This press release contains forward-looking statements, including, but not limited to, the Company's progress and anticipated progress towards its long-term objectives. Many of these forward-looking statements can be identified by use of words such as may, will, expect, anticipate, approximate, estimate, assume, continue, model, project, plan, goal, and similar words and phrases. The Company's actual results and future financial condition may differ materially from those expressed in any such forward-looking statements as a result of many factors. Such factors include, without limitation: general economic conditions including the housing market, a challenging overall macroeconomic environment and related changes in the retailing environment; consumer preferences, spending habits and adoption of new technologies; demographics and other macroeconomic factors that may impact the level of spending for the types of merchandise sold by the Company; civil disturbances and terrorist acts; unusual weather patterns and natural disasters; competition from existing and potential competitors across all channels; pricing pressures; liquidity; the ability to achieve anticipated cost savings, and to not exceed anticipated costs, associated with organizational changes and investments; the ability to attract and retain qualified employees in all areas of the organization; the cost of labor, merchandise and other costs and expenses; potential supply chain disruption due to trade restrictions, political instability, labor disturbances, product recalls, financial or operational instability of suppliers or carriers, and other items; the ability to find suitable locations at acceptable occupancy costs and other terms to support the Company's plans for new stores; the ability to establish and profitably maintain the appropriate mix of digital and physical presence in the markets it serves; the ability to assess and implement technologies in support of the Company's development of its omnichannel capabilities; uncertainty in financial markets; volatility in the price of the Company's common stock and its effect, and the effect of other factors, on the Company's capital allocation strategy; risks associated with the ability to achieve a successful outcome for its business concepts and to otherwise achieve its business strategies; the impact of intangible asset and other impairments; disruptions to the Company's information technology systems including but not limited to security breaches of systems protecting consumer and employee information or other types of cybercrimes or cybersecurity attacks; reputational risk arising from challenges to the Company's or a third party product or service supplier's compliance with various laws, regulations or standards, including those related to labor, health, safety, privacy or the environment; reputational risk arising from third-party merchandise or service vendor performance in direct home delivery or assembly of product for customers; changes to statutory, regulatory and legal requirements, including without limitation proposed changes affecting international trade; changes to, or new, tax laws or interpretation of existing tax laws; new, or developments in existing, litigation, claims or assessments; changes to, or new, accounting standards; foreign currency exchange rate fluctuations; and the integration of acquired businesses. The Company does not undertake any obligation to update its forward-looking statements.

CONTACTS:

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